

BTW 2565/010

Subject Management Discussion and Analysis for the 2nd quarter and the six-month period, ended June 30, 2022

To The President
The Stock Exchange of Thailand

August 9, 2022
Management Discussion and Analysis (“MD&A”)
Business Overview
Operating results for the 2nd quarter and the six-month period, ended June 30, 2022

	For three-month period ended			
	June 30, 2022	June 30, 2021	Change	
	(THB Million)	(THB Million)	(THB Million)	%
Revenue from Fabrication Work	584.70	252.58	332.12	131%
Cost of Fabrication Work	529.67	318.37	211.31	66%
Gross Profit Margin	55.03	(65.78)	120.81	184%
<i>% Gross Profit Margin</i>	<i>9.41%</i>	<i>-26.04%</i>	<i>35.46%</i>	
Other Income	2.76	8.28	(5.52)	-67%
Administrativ Expenses	32.76	22.93	9.83	43%
Profit (loss) from operation activity	25.04	(80.43)	105.47	131%
Finance Cost-net	(3.12)	(3.41)	0.29	-8%
Income Tax income (expense)	1.22	(0.60)	1.82	305%
Profit (loss) for the period	23.14	(84.44)	107.58	127%
Attributable to non-controlling interest of subsidiaries	0.10	(0.44)	0.54	122%
Profit (loss) for the period for the Company	23.04	(84.00)	107.04	127%
EBITDA	45.20	(60.20)	105.40	175%

The Company's operating results for the 2nd quarter of 2022, net profit increased from the same quarter of 2021 by 107.58 million baht or 127%, as a result of many countries being relieved from the Corona-2019 virus pandemic and able to travel. As a result, the Company has received new projects from overseas customers, which are steel structures. In addition, during the second quarter of this year, some projects received additional work or variation orders, resulting in increase this quarter's revenue. A result of that, gross profit increased from the same period last year. In addition, the ratio of cost of fabrication work to revenue from fabrication work for the 2nd quarter of 2022 improved from 2021 or 90.60% and 126%

respectively. Overall cost of fabrication work for the quarter were higher, mainly due to the increase in staff and labor costs, overtime and wages, etc.

Administrative expenses for the 2nd quarter ended June 30, 2022 increased from the same period of the previous year by 9.83 million baht or 43%, mainly from salaries, allowances, overtime, rental expense, consulting fees, service fees and other etc.

	For six-month period ended			
	June 30, 2022 (THB Million)	June 30, 2021 (THB Million)	Change (THB Million) %	
Revenue from Fabrication Work	1,016.37	602.24	414.12	69%
Cost of Fabrication Work	916.55	661.95	254.60	38%
Gross Profit Margin	99.82	(59.71)	159.53	267%
<i>% Gross Profit Margin</i>	<i>9.82%</i>	<i>-9.91%</i>	<i>19.74%</i>	
Other Income	17.25	15.68	1.58	10%
Administrativ Expenses	68.85	46.77	22.07	47%
Profit (loss) from operation activity	48.23	(90.80)	139.03	153%
Finance Cost-net	(6.62)	(6.01)	(0.62)	10%
Income Tax income (expense)	0.37	(1.59)	1.96	123%
Profit (loss) for the period	41.98	(98.40)	140.37	143%
Attributable to non-controlling interest of subsidiaires	0.17	(0.54)	0.71	132%
Profit (loss) for the period for the Company	41.81	(97.86)	139.67	143%
EBITDA	88.20	(50.11)	138.31	276%

For the first six-month period of 2022, the Company had a total operating profit of 41.81 million baht, an increase of 139.67 million baht or 143% from the same period of 2021. The revenue from fabrication work and services for the first-half of 2022 amounted to 1,016.37 million baht, an increase of 414.12 million baht or 69% from the same period of last year. Most of the revenue that we recognized in the first six months of this year came from modularization, vessel & tanks, and steel structure, etc. From the situation of the pandemic of Covid-19 that has greatly improved, besides the company received projects from domestic customers, we also received new projects from foreign customers as well, resulting in revenue in the first six months of this year increased. As for the cost of fabrication work and services for the first six months of 2022 compared to 2021, we found that the Company's costs of fabrication work increased from the previous year as well. In particular, workers with increased wages, compensation and incentives, or overtime, as well as increasing the number of workers.

Administrative expenses consist of employee expenses, rental expenses and other service fees, etc. For the first six-month period of 2022, administrative expenses were higher than the same period of the

previous year by 22.07 million baht or 47%. This was mainly due to the loss on foreign exchange rates of forward contracts. However, when comparing the proportion to sales in each period, administrative expenses for the first six months of 2022 were similar to the same period of 2021 or 6.77% and 7.77%, respectively.

The financial cost for the first-half of 2022 is slightly higher than the first-half of 2021. Most of these are interest expenses and bank fees for short-term promissory notes and letter of credit for importing or purchasing materials in the country, etc.

Financial Position

	As at		Change	
	June 30, 2022 (THB Million)	December 31, 2021 (THB Million)	(THB Million)	%
Total Current Assets	1,182.27	962.73	219.54	23%
Total Non-Current Assets	662.89	688.98	(26.09)	-4%
Total Assets	1,845.16	1,651.71	193.45	12%
Total Current Liabilities	744.10	588.64	155.46	26%
Total Non-Current Liabilities	54.63	58.62	(3.99)	-7%
Total Liabilities	798.73	647.26	151.47	23%
Total Shareholder's Equity	1,046.43	1,004.46	41.98	4%

The company has total assets of 1,845.16 million baht for the first half of the year 2022, an increase from 31 December 2021 by 193.45 million baht or 12%. This was mainly due to an increase in trade accounts receivable and other receivables approximately 146.61 million baht, which the increase in receivables varies according to the recognition of revenue from projects in the previous period. The unbilled income increased by 32.35 million baht, including the increase of goods and raw materials about 45.56 million baht, resulting in an increase in total assets from the end of last year.

For the first-half of 2022, the Company had total liabilities of 798.73 million baht, an increase of 151.47 million baht or 23% from December 31, 2021, mainly due to an increase in trade and other payables of approximately 173.94 million baht, including advance construction income approximately 12 million baht. However, short-term loans from financial institutions decreased by 50.82 million baht.

Shareholders' equity for the first-half of 2022 increased from the year-end of 2021, from 1,004.46 million baht to 1,046.43 million baht, respectively. The result of recognition of operating profit for the first half of 2022 amounted to 41.98 million baht.

Financial Ratio
Liquidity Ratios

	June 30, 2022	December 31, 2021
Current Ratio (times)	1.59	1.64
Quick Ratio (times)	1.13	1.14

Activity Ratios

	June 30, 2022	June 30, 2021
Account Receivable Turnover (times)	7.59	5.16
Average Collection Period (days)	48.10	70.67
Account Payable Turnover (times)	8.42	7.21
Average Payment Period (days)	43.33	50.59
Cash Cycle (days)	61.16	88.84
Inventory Turnover (times)	6.47	5.31
Inventory Turnover Period (days)	56.39	68.76
Total Assets Turnover (times)	1.18	0.70

Leverage Ratios

	June 30, 2022	December 31, 2021
Interest Coverage Ratio (times)	13.70	(3.97)
Debt / Equity Ratio (times)	0.76	0.64

Profitability Ratios

	June 30, 2022	June 30, 2021
Gross Profit Margin (%)	9.82	(9.91)
Net Profit Margin (%)	4.06	(15.92)
Return on Assets or ROA (%)	2.40	(5.60)
Return on Equity or ROE (%)	4.10	(8.78)

As of June 30, 2022, the Company's liquidity ratio was 1.59 times, which was not much different from that of December 31, 2021, or 1.64 times.

Interest Coverage ratio as of June 30, 2022, was 13.70 times, an increase from December 31, 2021 as a result of the Company's operating profit in the first half of 2022, thus increasing this ratio.

Backlog Value as of June 30, 2022

Backlog as of June 30, 2022, totaling 1,129.56 million baht. Most of the remaining works are modularization, steel structure, and vessel& tank. It is expected to be completed in the future or within 1-2 years.

Factors effecting the Group's performance in the future

The current situation of the Coronavirus disease 2019 (COVID-19) pandemic has gradually improved and most of the countries allow both business and tourism travel. Therefore, the Company has more opportunities to travel to meet with existing customers and find new customers in abroad. In the past, the management and our team have traveled to meet with customers in abroad for the current projects that the Company is working on, including existing customers and prospective customers. We believe that in the near future, the Company has more opportunities or projects from abroad.

Lastly, the company believes that our business will be sustainable in the long term due to our strong business background and long experience and expertise. We will certainly be able to deliver valuable work that meets our customers needed.

Please be informed accordingly.

Yours sincerely,



Mr. Chotic Russamitinakornkul

Chief Executive Officer

BT Wealth Industries Public Company Limited